by Tipton R. Snavely

ECONOMIC THOUGHT AND ECONOMIC POLICY IN THE SOUTH

The subject of economics as a body of thought, if not a science, has attained sufficient age, even when compared with the development of the physical sciences, to give it a measure of substantiality. It has come to have, as it were, a "habitation and a name," although its habitation is not local but world-wide and its name has often been a matter of derision. Up to a certain distance, it possesses as much reality and substance as are inherent in such physical factors as force, motion, velocity or kinetic energy. Beyond this point, its scope, though of fundamental importance, remains uncomfortably elusive and intangible. Sir William Ashley wrote a few years ago that "Political economy is now old enough to have reached the stage of retrospect." I think he might well have added to this the "stage of respectability."

We are quite aware of the fact that economics as an organon of thought, as a unified body of doctrines, has long been subjected to criticism and skepticism. The reputable economist is held in high esteem, but the idea still persists that he is too much concerned with the baser class of human motives. He has often been pitied as a benighted individual whose interests are limited to the purely material side of man's activities. His horizon is believed never to reach the higher senses of man or to include his immaterial ends. The dreamers and idealists have been scathing in their denunciations of the classical writers. To Carlyle economics was merely "pig-philosophy" and a "dismal science." He regarded the doctrines of the early writers as one of the "shabbiest gospels preached; or altogether the shabbiest," while Ruskin declared that he was not interested in the "conclusions of the science on the basis of its premises any more than he would be in those of a science of gymnastics which assumed that men had no skeleton."

Among economists themselves there has never been complete agreement as to the methods or objectives of the science. The principal schools in the field of economic thought with which we are all familiar have developed around contested methods

of analysis, the scope of the subject-matter, the significance of history and questions of similar import. Some writers would limit the boundaries of the subject to *what is*, the discovery of laws relating thereto, and would not allow the economist to venture into the realm of what *ought to be*. They hold that ethical questions have no part in the stock and trade of the economist. It is not his task to reason why given ends are desirable or undesirable—right or wrong—but to pursue the nature and effects of economic forces where he finds them and let others choose the proper way of life. Many of the older economists, believing it possible to develop a natural science, held this point of view. Social reformers denounced both their premises and their conclusions.

Professor J. M. Keynes tells us that Alfred Marshall erred in that he "was too anxious to do good." Yet few men have labored more valiantly than Marshall to build a system of economics that would be logical in nature and architecturally complete. As evidence that the legitimate function of the economist is still an open question, I might refer to the point of view held by Professor Lionel Robbins, a student of Professor Edwin Cannan at the University of London and recently elected his successor as Professor of Economics. He asserts that economics is "neutral as between ends" and that "it is not concerned with the causes of material welfare as such." It is interested in "tendencies to conduct" and not whether a given course of conduct will make us better off.[1] Professor Cannan does not assent to this point of view but holds that while it is the business of the economist to explain the "structure and working" of the economic system, "no one will complain" if he "suggests real improvements in it."[2]

It is especially pertinent for a group of economists, such as the members of this Association, to ask the question, "What is the true relationship of economic thought and economic policy?" What is the function of the economist in the course of political and social action? Should he be content to play a passive role in the world of affairs, to remain a mere academician within the cloistered walls of his college or university, or should he as a result of his more formal study of economic forces, jump into the arena and try to solve the imminent problems of the hour? Must he be a theoretical economist, dwelling so much in the past and distant future that the present does not

[1] *An Essay on the Nature and Significance of Economic Science*, pp. 9-131.
[2] *The Economic Journal*, September, 1932, p. 424.

charm him, or should he become a living economist and undertake to guide the public in such matters as the desirability of placing a tax on lipsticks or the economics of installment buying? Your economist is torn by a conflict of the spirit, and is, as Mr. Walter Lippman has well portrayed him, a "scholar in a troubled world." Whether he remains detached from public issues or undertakes to use his scientific knowledge in their solution, he is doomed to suffer some disappointment. "If he remains cloistered and aloof," says Mr. Lippman, "he suffers in the estimation of the public, which asks impatiently to know what all this theorizing is good for anyway, if it does not show a way out of all the trouble."[3] On the other hand, "if he participates in affairs, he suffers no less," since in the "making of present decisions," he is confronted with the "highly variable and incalculable factor" of the will of the people.

During the past three years every economist must have felt keenly his inability to act as magic-maker and dispel the forces that have so violently deranged the industrial organization of the world. How many times must he have wished that he could speak a formula which would enable us to restore immediately the economic harmonies and lift the country from its present debacle to a normal state once more. There are those who believe that with a democratic form of government and an individualistic system of economy it will never be possible to have that measure of stability that is necessary for a better adjustment of our economic machine. But as Professor Taussig has recently commented, "We have clues and we have theories, and we are convinced as regards the rejection of some supposed cures and panaceas. In the end, we hope to reach some certainty of our own."[4]

I need not prolong unduly this introductory theme of the position of the economist in relation to the determination of economic policy. It is obvious that, as far as governmental action is concerned, some of the most settled conclusions of economists have been regarded with skepticism and have been held quite inapplicable to the existing state of affairs. For example, if interested business men are convinced of the efficacy of a higher tariff, the petition of a thousand economists against the passage of the bill may be of no practical consequence. Again, experience may have shown that no matter how much

[3] *The Atlantic Monthly*, August, 1932. pp. 148-49.
[4] See "Doctors, Economists, and the Depression," *Harper's Magazine*, August, 1932, p. 356.

money is expended by a government to maintain artificial prices on cotton and wheat, such expenditures will not succeed if foreign markets are closed to the surplus production of these crops.

To the economist it seems an absolute contradiction to offer an artificial stimulus to production on the one hand and shut the doors to foreign markets on the other hand. He may, like the physician, diagnose the symptoms of a patient's illness and may prescribe the remedies which would appear to be most effective, but if the course of treatment is not followed he can be of no assistance. Even though fundamentally economics "is a method rather than a doctrine, an apparatus of the mind, a technique of thinking, which helps its possessor to draw correct conclusions,"[5] can we not also agree that "the self-denying ordinance proposed for the economist that he must strictly confine himself to the study of what is and the discovery of the laws by which it has so become and must never venture to overstep the boundaries to say what will be or ought to be, appears to be ill-conceived and unnecessary?"[6] The economist has assuredly done more than invent tools which may be found useful in constructing our economic house; he should have some directing hand in the erection of the structure itself.

II

Let us turn now to certain considerations bearing on economic thought and economic policy in the Southern states. What is the record of the South in the development of political economy and in the production of scholars and teachers in our science? What contributions, if any, have been made by Southern writers in the field of economic thought and to what extent have their works been a source of influence on the policies of the nation or of our own states? In the evolution of our industrial order during the next few decades can a closer relationship be created between theory and policy? Can the results of scientific investigation be translated into positive action? As members of this Association I believe that we are deeply interested in these questions.

It is not my purpose here to undertake a review of the economic treatises produced in the South during the past one hundred and fifty years. I take it that during the latter half

[5] J. M. Keynes, *Introduction to the Cambridge Economic Handbooks.*
[6] V. G. Kale, *Proceedings* of the Indian Economic Association, 1929, p. 622. See also Bruno Schultz, *Der Entwicklung der theoretischen Volkswirtschaftslehre.*

of last century, the South did not contribute her fair share of economic writing or teaching, due to the devastated conditions which followed the Civil War. During the first half of the century, however, some of the ablest thinkers and writers in the entire country were in Southern institutions. The late Professor Dunbar, in a descriptive article on "Economic Science in America, 1776-1876," asserted that up to the end of this period, American authors had contributed little to the advancement of economic science.[7] While he recognized that sundry textbooks had been prepared, these were "chiefly interested in bringing principles previously worked out by others within the easy comprehension of undergraduate students," and, although he regarded these works as valuable, he stated unequivocally that few had made an impression abroad or given the study a strong impulse at home. The one Southern author who was given any sort of acclaim by Professor Dunbar was Dr. Cooper of South Carolina, but he "did nothing in original speculation." The principal reason vouchsafed for the lack of more significant productions was the abundance of natural resources in the new country, the existence of which rendered unnecessary precise thinking about economic policy. Conditions were vastly different from those obtaining in England, Germany, and France. Regardless of errors of policy, the new country made rapid progress through the momentum of its natural environment.

It is not an exaggeration to say that in the first half of the nineteenth century, the Southern states held a foremost place in the development of economics in this country. This holds true both for the quality of instruction given and the creditable books and pamphlets that appeared from Southern authors. The priority of the South in this respect may be attributed quite largely to the influence of Thomas Jefferson who, along with Madison and Monroe, was profoundly interested in political and economic theory. In the words of Professor L. L. Bernard, these men "had pursued their researches into political science, political economy, moral philosophy, and history on both continents, and out of the results of these studies Jefferson and Monroe constructed the most liberal curricula in the social sciences yet known in this country for William and Mary and later for the University of Virginia and the Universities of North and South Carolina and of Georgia, and even of Transylvania University, which were so directly and strongly in-

[7] *The North American Review*, Vol. CXXII, pp 124-154 (1876).

fluenced by Jeffersonian political ideals and scholarship . . . "For half a century these same universities led the United States in scholarly productivity in political science and political economy."[8]

Jefferson had early manifested a strong interest in these subjects and in 1817 he directed the translation and publication of De Tracy's *A Treatise on Political Economy,* for which he also painstakingly read the proof of the manuscript and wrote the preface. In this prospectus he voiced the opinion that political economy first assumed the form of a regular science in the hands of a group of writers in France who called themselves the Economists.[9]

The earliest work of substantial character carried on in the social sciences in this country took place at William and Mary College. George Wythe and St. George Tucker in the field of law and John Augustine Smith and Thomas R. Dew in the social sciences were men who had great influence in their day. According to H. B. Adams,[10] Dew became professor of political economy, history and metaphysics in 1827. His principal work in economics was entitled *Lectures on the Restrictive System* in which he analyzed the economic effects of a protectionist policy on an agrarian economy and anticipated by a century the authors of *I'll Take My Stand,* in questioning the desirability of a factory system and its concomitant evils.

George Tucker, who filled the chair of Moral Philosophy at the University of Virginia from the opening session in 1825 until he resigned in 1845, was primarily interested in political economy and wrote a number of works both on the theoretical and practical aspects of the subject. His principal works in the field were: *The Laws of Wages, Profits and Rents Investigated; Theory of Money and Banks Investigated; Progress of the United States in Population and Wealth in Fifty Years; Banks or no Banks; Political Economy for the People;* and *Correspondence with Alexander H. Everett on Political Economy.* It is a singular fact that Tucker's memory has been perpetuated chiefly for his writings in history, biography and political questions, rather than in economics, whereas he really endeavored to make important contributions to the Ricardian

[8] Chapter II, "An Historical Perspective," in *Research Barriers in the South,* by Wilson Gee, The Century Company, 1932, pp. 18-19. I am indebted to Professor Bernard for certain suggestions relative to the growth of economics in the South during this early period.

[9] Jefferson's *Complete Works,* edited by H. A. Washington, New York, 1854, Vol. VI, p. 570.

[10] *Jefferson and the University of Virginia,* Bulletin of the United States Bureau of Education, No. I, 1888.

analyses of rent, wages and profits as well as to extend the current doctrines of money and banking. His *Progress of Population and Wealth in Fifty Years* was one of the most valuable studies ever made of the census reports of the United States and has been characterized by Professor Bernard as the "most thoroughgoing statistical sociological analysis of the kind"[11] to appear in the first half of the century.

Another economist of high standing during this period was Thomas Cooper, of the College of South Carolina, who held at that institution either the first or second chair in the United States to include the title of Political Economy. According to the contemporary opinion in South Carolina, Cooper was the first "regularly appointed professor of political economy in the country."[12] His *Lectures on the Elements of Political Economy,* published in 1826, constituted the first important treatise on the principles of economics to come from the pen of an American teacher. It won the praise of McCulloch in England who said that, "this work, though not written in a very philosophical spirit, is the best of the American works on political economy that we have met with."[13] The influence of the University of South Carolina by no means ended with Cooper. He was succeeded by Francis Lieber, a man of outstanding ability, whose writings lay more in the fields of government and philosophy than in economics. Another South Carolinian, Jacob Newton Cardozo, was the author of *Notes on Political Economy* in 1826, and became a strong opponent of the tariff of 1828.

While I have not discovered references to the publication of treatises on economics in the state of North Carolina during these decades, it is quite probable that a number of tracts or essays bearing on such concrete issues as the tariff or slavery, were published. It is well known that in this state excellent volumes were written in the field of history. In Georgia a volume entitled *Ergonomy; or Industrial Science* was published by Samuel Galloway of Athens in 1853, and a text on the *Elements of Moral Science* was produced in 1860 by J. L. Dagg of Mercer University. Many of the valuable publications of this early period were in the form of pamphlets or monographs. A number of briefer tracts, the central theme of

[11] L. L. Bernard, "An Historical Perspective," op. cit., p. 19. Also see "George Tucker as Economist," by Tipton R. Snavely, in the University of Virginia *Alumni Bulletin,* April, 1923.

[12] Dumas Malone, *The Public Life of Thomas Cooper,* Yale University Press, 1926, p. 303 ff.

[13] J. R. McCulloch, *Literature of Political Economy,* 1845, p. 17.

which was the economic aspects of slavery, no doubt appeared in all of the states. Two significant volumes on this subject were the *Pro-Slavery Argument* and *Cotton is King*, the latter of which, although published at Augusta, Georgia, in 1860, was edited by E. N. Elliott of the Planters' College of Mississippi. Another writer who lived for a time in Mississippi and wrote on issues of law and economics was Nathaniel A. Ware. His *Notes on Political Economy, As Applicable to the United States*, was published in New York in 1844.[14]

Louisiana can lay claim to substantial productions both in the fields of history and economics. The most celebrated writer in the field of statistics in America at this time was J. D. B. Debow, Professor of Political Economy at the University of Louisiana, now Tulane. He served for some years as Director of the United States Census. You are sufficiently familiar with his famous *Review* which was established in New Orleans in 1845, and which is frequently referred to now as a standard source of information. In addition to the *Review* Debow wrote an *Encyclopaedia of the Trade and Commerce of the United States* and several volumes on the commerce, agriculture, and industry of the South.

For a generation following the Civil War conditions in the South were such as to retard the progress of our colleges and universities, and productive effort in the social sciences languished. Several of the best minds of the early period were not natives of the South, but had settled here because of the favorable opportunities offered in the formation of the new universities. The impoverishment of these universities now precluded the possibility of attracting men of similar attainments from abroad or indeed of retaining some of the strongest intellects originating in the South itself. Since the beginning of the new century and especially in the past two decades we have seen a notable expansion in departments of economics and schools of commerce which have been established in practically all of our Southern institutions, and the outlook for constructive work is now more hopeful all over the South than it has been at any time since 1860. Meanwhile, in the eighties and nineties of last century the more fortunate universities in other parts of the country took the leading place in carrying forward the torch of economics. There are many indications just now that the South is again entering upon a more

[14] For a brief account of Ware's views, see John R. Turner, *The Ricardian Rent Theory in Early American Economics*, Princeton University Press, 1921, p. 45.

fruitful era and that we may look forward to increasing accomplishment in the future.

III

It is apparent that the early economic writers in the South kept in mind two purposes. First, they wanted to give a clear exposition in written form of the science of economics and to introduce the principles of the subject to the general reader as well as to the college student. Secondly, they endeavored to utilize their knowledge in the determination of economic and social policy in public affairs. We may well ask, therefore, whether these are sound objectives for economists in the thirties and forties of this century? The observation has frequently been made that the problems arising as an aftermath of the World War have been too vast and too complex for any human mind to grasp. The subnormal economic situation has penetrated to nearly every region of the world. The Southern states have not escaped the maelstrom of world difficulties. In fact, from the beginning, the South has been a victim of price fluctuations abroad or of a recession in foreign markets. She has suffered brief intervals of false prosperity which have been followed by long periods of stagnation and low prices. A business depression is not a new phenomenon to those who have spent their lives in trying to supply raw cotton to about one-half of the inhabitants of the earth.

What can economists do to point the way through the maze of tangled economic forces? Must we be deterred by the spirit of skepticism and despair and keep within the cloistered walls of academic routine, or shall we, at the risk of making errors and frankly admitting that we cannot always see with clear vision, contribute in a measure to the determination of economic policy? We have reached the stage in the South as well as in the nation as a whole in which we can no longer rely on the impetus of natural resources to offset our economic mistakes. We have arrived at the point at which we can no longer remain indifferent to the precise effects of economic laws, secure in the conclusion that "if the operation of such laws be not actually suspended in the United States, they can at any rate be disregarded with comparative safety."[15]

Southern economists are confronted by a number of current problems the solution of which will challenge their best efforts for years to come. One of these is the comparatively low level

[15] Dunbar, *op. cit.* p. 149.

of standards of living in the Southern states. This is an all-pervasive and baffling question. In the supposedly prosperous years which preceded this depression, the average per capita income in the United States was estimated at $745. In the South Atlantic Region, comprising the states from Delaware to Florida, the average income was placed approximately at $445 or $300 per capita less than the national average; while in the East South Central Region the income per person was about $345, or less than one-half that of the entire country. For the year 1928, the total realized income in the United States was believed to be about 89 billion dollars.[16] At the present time it is believed at a liberal estimate not to exceed one-half this figure. Assuming that the already low per capita income in the South has been reduced by 50 per cent, we find that the standard of living on the average has shrunk to a discouraging basis even when full allowance is made for a reduction in the level of prices. Long before the end of the era of inflation there was a notable downward tendency in the average income from agriculture.

Another field in which we have a host of problems, economic in character, is that of state and local finance. Despite all efforts at reform many of our state and local tax systems remain "jig-saw" puzzles that defy solution. At every session of our legislatures important changes in the tax laws are among the pressing items on the agenda. These problems will become of greater rather than less significance with the passing of time. Jefferson declared that "taxation is the most difficult function of government—and that against which their citizens are most apt to be refractory."[17]

Manifestly, we have suffered heavy losses in economic welfare in many or all of our Southern states by the failure to institute wise fiscal policies. Through the inability to relate expenditures and revenues, nearly all of our states have experienced deficits ranging from three or four millions to fifteen or twenty millions of dollars. We have not yet made heroic efforts in local government to effect the economies in administration that are sorely needed. Counties and cities have been permitted almost without restraint to borrow beyond their capacity to pay. Some form of central control of local budgets and local indebtedness has become a paramount question. In the field of state and local finance we need all of

[16] *Recent Economic Changes in the United States*, Vol. II, p. 757.
[17] Thomas Jefferson, *op. cit.* Vol. II, p. 570.

the aid that the economist can give in research and investigation.

As economists we are confronted with the broad question of industrialization in the South as contrasted with our agrarian economy. "Southern economic life," declares Mr. H. C. Nixon, "is at the crossroads."[18] The agrarian system long prevailing is threatened by a factory system with all of the evils of a congested factory population. What should be the policy of the economist toward the invasion of the machine and the mill, the employer and employee? The answer is both yes and no. We need a proper balance in industry and agriculture. I venture to predict that we shall never materially raise the standard of living in the South as long as we are predominantly agricultural and are compelled to depend upon competitive foreign markets for the sale of a single crop. The need for a more well-rounded and self-sustaining agriculture has long been apparent.

On the other hand, there should be no place for the sweatshop in Southern industry. Industries should not be encouraged which must depend upon the exploitation of labor or of the public for their existence. The early English economists proved themselves bad theorists in their opposition to the Factory Acts, passed at the beginning of last century, the benefit of which came to be universally recognized.[19] Here we have many problems of both theory and policy. Can we not agree with a noted Southerner when he says that "the economic development of the South must be along Southern lines, that our industrialization must benefit by the mistakes of industrialization in other sections, and that the South can serve itself and the nation best by being true to what is best in itself."[20]

It would be superfluous for me to continue an enumeration of problems that are continually arising in our Southern region. There are abstruse questions of banking theory and banking policy, of transportation, of marketing and the like. Nor should we confine our studies to regional problems. The members of this organization are pursuing activities that extend beyond local boundaries and are of national and international significance. I think we shall do well to continue to emulate those early Southern economists who endeavored to lay "strong and

[18] *I'll Take My Stand*, Harper and Bros. (1930), p. 176.
[19] Francis A. Walker, *Political Economy*, 3rd ed. (1888), pp. 382-83.
[20] John Temple Graves, II, *Proceedings* of the American Association of Collegiate Schools of Business, July, 1931, p. 7.

deep" the foundations of economic theory. We may well emulate them also in their desire to make economics a practical science and one that has not lost touch with the reality of life.

There are in my opinion hopeful signs that we are at the threshhold of greater achievements than have been made in the South at any time in the past. The need for a thorough grasp of the meaning of economic laws was never greater than it is in these difficult times. As economists we should permit no deflection from the high ideal of economic truth. It seems to me that this Association was founded at an opportune time. It has already proved a highly useful agency of co-operation and encouragement, and its importance will become more apparent in future years. May we not look forward to the day when the creative work of Southern economists will hold a foremost place in the thought of the nation?